



# HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008  
OF THE CONDITION AND AFFAIRS OF THE

# Arkansas Community Care, Inc.

NAIC Group Code	<u>3681</u>	<u>3681</u>	NAIC Company Code	<u>12282</u>	Employer's ID Number	<u>20-2036444</u>
	(Current)	(Prior)				

Organized under the Laws of Arkansas, State of Domicile or Port of Entry Arkansas

Country of Domicile	United States of America
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Licensed as business type: Health Maintenance Organization

Is HMO Federally Qualified? Yes [ X ] No [ ]

Incorporated/Organized 01/31/2005 Commenced Business 03/21/2005

Statutory Home Office 10025 W Markham St., Suite 220, Little Rock , AR 72205  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 825 Washington St #300  
(Street and Number)  
Oakland, CA 94607, 510-832-0311  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 825 Washington St #300, Oakland , CA 94607  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 825 Washington St #300  
(Street and Number)  
Oakland, CA 94607, 510-832-0311  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.arkansascommunitycare.com

Statutory Statement Contact Stacy Elise Parsons, 510-817-1815  
(Name) (Area Code) (Telephone Number)  
sparsons@arcadianhealth.com, 510-817-1895  
(E-mail Address) (FAX Number)

## OFFICERS

CEO	<u>John Harvey Austin</u>	Treasurer/CFO	<u>Kenneth Benjamin Zimmerman</u>
President/ Secretary	<u>Nancy Ellen Freeman</u>		<u>-----</u>

**OTHER**

## DIRECTORS OR TRUSTEES

John Harvey Austin	Nancy Ellen Freeman	Kenneth Benjamin Zimmerman
Chase Spencer Milbrandt	Cheryl Yvonne Perkins	-----

State of California SS:  
County of Alameda

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

John Harvey Austin CEO	Kenneth Benjamin Zimmerman Treasurer/CFO	Nancy Ellen Freeman President/Secretary
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Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_

a. Is this an original filing? ..... Yes [ ☒ ] No [ ☐ ]

b. If no,

1. State the amendment number.....

2. Date filed .....

3. Number of pages attached.....

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ARKANSAS COMMUNITY CARE, INC.

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D) .....	14,292,333		14,292,333	12,019,503
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	0		0	0
2.2 Common stocks .....	0		0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....(386,775) , Schedule E - Part 1), cash equivalents (\$ ..... , Schedule E - Part 2) and short-term investments (\$ .....4,236,438 , Schedule DA) .....	3,849,663		3,849,663	6,785,269
6. Contract loans, (including \$ ..... premium notes) .....			0	0
7. Other invested assets (Schedule BA) .....	0		0	0
8. Receivables for securities .....			0	0
9. Aggregate write-ins for invested assets .....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	18,141,996	0	18,141,996	18,804,772
11. Title plants less \$ ..... charged off (for Title insurers only) .....			0	0
12. Investment income due and accrued .....	194,114		194,114	159,242
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	2,121,546	29,498	2,092,048	2,022,502
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....			0	0
13.3 Accrued retrospective premiums .....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....	163,751	0	163,751	104,324
14.2 Funds held by or deposited with reinsured companies .....			0	0
14.3 Other amounts receivable under reinsurance contracts .....			0	0
15. Amounts receivable relating to uninsured plans .....			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
16.2 Net deferred tax asset .....	1,276,951	305,993	970,958	0
17. Guaranty funds receivable or on deposit .....			0	0
18. Electronic data processing equipment and software .....			0	0
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	16,128	16,128	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
21. Receivables from parent, subsidiaries and affiliates .....	17,641		17,641	3,620,882
22. Health care (\$ .....650,901 ) and other amounts receivable .....	951,087	300,186	650,901	62,994
23. Aggregate write-ins for other than invested assets .....	152,452	152,452	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	23,035,666	804,257	22,231,409	24,774,716
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
26. Total (Lines 24 and 25)	23,035,666	804,257	22,231,409	24,774,716
DETAILS OF WRITE-INS				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Prepaid Expenses .....	152,298	152,298	0	0
2302. Non-Statutory Deposits .....	154	154	0	0
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	152,452	152,452	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$ .....0 reinsurance ceded) .....	7,750,706	1,402,086	9,152,792	8,933,426
2. Accrued medical incentive pool and bonus amounts .....	42,555		42,555	40,533
3. Unpaid claims adjustment expenses.....	325,382		325,382	172,406
4. Aggregate health policy reserves.....	116,333		116,333	4,043,356
5. Aggregate life policy reserves.....			0	0
6. Property/casualty unearned premium reserves.....			0	0
7. Aggregate health claim reserves.....			0	0
8. Premiums received in advance.....			0	347
9. General expenses due or accrued.....	419,564		419,564	351,626
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)) .....			0	0
10.2 Net deferred tax liability.....			0	0
11. Ceded reinsurance premiums payable.....			0	0
12. Amounts withheld or retained for the account of others.....			0	0
13. Remittance and items not allocated.....			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current).....			0	0
15. Amounts due to parent, subsidiaries and affiliates.....	1,596,440		1,596,440	1,792,304
16. Payable for securities.....			0	0
17. Funds held under reinsurance treaties (with \$ ..... authorized reinsurers and \$ .....0 unauthorized reinsurers).....			0	0
18. Reinsurance in unauthorized companies.....			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
20. Liability for amounts held under uninsured plans.....	100,420		100,420	2,231,949
21. Aggregate write-ins for other liabilities (including \$ ..... current).....	0	0	0	0
22. Total liabilities (Lines 1 to 21).....	10,351,400	1,402,086	11,753,486	17,565,947
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX		0
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX	13,469,452	13,469,452
27. Surplus notes.....	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
29. Unassigned funds (surplus).....	XXX	XXX	(2,991,530)	(6,260,683)
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24 \$ ..... ).....	XXX	XXX		
30.2 ..... shares preferred (value included in Line 25 \$ ..... ).....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30).....	XXX	XXX	10,477,922	7,208,769
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	22,231,408	24,774,716
DETAILS OF WRITE-INS				
2101. ....				
2102. ....				
2103. ....				
2198. Summary of remaining write-ins for Line 21 from overflow page .....	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198)(Line 21 above)	0	0	0	0
2301. ....	XXX	XXX		
2302. ....	XXX	XXX		
2303. ....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	XXX	XXX	0	0
2801. ....	XXX	XXX		
2802. ....	XXX	XXX		
2803. ....	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page .....	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898)(Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	89,533	70,809
2. Net premium income ( including \$ ..... non-health premium income) .....	XXX	67,746,008	50,531,693
3. Change in unearned premium reserves and reserve for rate credits .....	XXX	0	
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX	0	
5. Risk revenue .....	XXX	0	
6. Aggregate write-ins for other health care related revenues .....	XXX	0	0
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	67,746,008	50,531,693
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		33,818,000	27,152,635
10. Other professional services .....		5,361,191	3,474,314
11. Outside referrals .....	6,663,799	6,663,799	6,409,411
12. Emergency room and out-of-area .....	559,302	1,121,921	686,603
13. Prescription drugs .....		7,625,385	4,678,049
14. Aggregate write-ins for other hospital and medical .....	0	0	0
15. Incentive pool, withhold adjustments, and bonus amounts .....		191,475	57,712
16. Subtotal (Lines 9 to 15) .....	7,223,101	54,781,771	42,458,724
<b>Less:</b>			
17. Net reinsurance recoveries .....		271,914	144,030
18. Total hospital and medical (Lines 16 minus 17) .....	7,223,101	54,509,857	42,314,694
19. Non-health claims (net) .....			
20. Claims adjustment expenses, including \$ .....314,151 cost containment expenses .....		2,100,468	3,415,437
21. General administrative expenses .....		9,854,878	7,246,075
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only) .....		0	0
23. Total underwriting deductions (Lines 18 through 22).....	7,223,101	66,465,203	52,976,206
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	1,280,805	(2,444,513)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		863,833	813,086
26. Net realized capital gains (losses) less capital gains tax of \$ .....		38,416	4,752
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	902,249	817,838
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			
29. Aggregate write-ins for other income or expenses .....	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	2,183,054	(1,626,675)
31. Federal and foreign income taxes incurred .....	XXX	0	
32. Net income (loss) (Lines 30 minus 31) .....	XXX	2,183,054	(1,626,675)
<b>DETAILS OF WRITE-INS</b>			
0601. ....	XXX		
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above) .....	XXX	0	0
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above) .....	XXX	0	0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above) .....	0	0	0
2901. ....			
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above) .....	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year.....	7,208,769	2,755,363
34. Net income or (loss) from Line 32 .....	2,183,054	(1,626,675)
35. Change in valuation basis of aggregate policy and claim reserves .....		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....		0
37. Change in net unrealized foreign exchange capital gain or (loss) .....		
38. Change in net deferred income tax .....	1,276,951	
39. Change in nonadmitted assets .....	(236,517)	(510,589)
40. Change in unauthorized reinsurance .....	0	0
41. Change in treasury stock .....	0	0
42. Change in surplus notes .....	0	0
43. Cumulative effect of changes in accounting principles.....		
44. Capital Changes:		
44.1 Paid in .....	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in .....	0	7,300,000
45.2 Transferred to capital (Stock Dividend) .....		
45.3 Transferred from capital .....		
46. Dividends to stockholders .....		
47. Aggregate write-ins for gains or (losses) in surplus .....	45,666	(709,330)
48. Net change in capital and surplus (Lines 34 to 47) .....	3,269,154	4,453,406
49. Capital and surplus end of reporting period (Line 33 plus 48)	10,477,923	7,208,769
DETAILS OF WRITE-INS		
4701. Prior Year Audit Adjustments .....	45,666	(709,330)
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	45,666	(709,330)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance .....	63,862,097	51,401,137
2. Net investment income .....	826,217	719,809
3. Miscellaneous income .....	0	0
4. Total (Lines 1 through 3) .....	64,688,314	52,120,946
5. Benefit and loss related payments .....	54,347,896	36,853,164
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	13,865,961	9,140,806
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....	0	0
10. Total (Lines 5 through 9) .....	68,213,857	45,993,970
11. Net cash from operations (Line 4 minus Line 10) .....	(3,525,543)	6,126,976
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	6,701,377	3,913,764
12.2 Stocks .....	0	0
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	0	0
12.7 Miscellaneous proceeds .....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	6,701,377	3,913,764
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	8,934,129	13,481,144
13.2 Stocks .....	0	0
13.3 Mortgage loans .....	0	0
13.4 Real estate .....	0	0
13.5 Other invested assets .....	0	0
13.6 Miscellaneous applications .....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	8,934,129	13,481,144
14. Net increase (decrease) in contract loans and premium notes .....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(2,232,752)	(9,567,380)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	0	0
16.2 Capital and paid in surplus, less treasury stock .....	0	7,300,000
16.3 Borrowed funds .....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0
16.5 Dividends to stockholders .....	0	0
16.6 Other cash provided (applied) .....	2,822,690	(3,054,790)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	2,822,690	4,245,210
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(2,935,605)	804,806
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	6,785,269	5,980,463
19.2 End of year (Line 18 plus Line 19.1) .....	3,849,664	6,785,269

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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.....		
.....		
.....		

## ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

2

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical) .....				0
2. Medicare Supplement .....				0
3. Dental only .....				0
4. Vision only .....				0
5. Federal Employees Health Benefits Plan .....	0			0
6. Title XVIII - Medicare .....	68,104,369		358,358	67,746,011
7. Title XIX - Medicaid .....	0			0
8. Other health .....				0
9. Health subtotal (Lines 1 through 8) .....	68,104,369	0	358,358	67,746,011
10. Life .....	0			0
11. Property/casualty .....	0			0
12. Totals (Lines 9 to 11)	68,104,369	0	358,358	67,746,011



UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct .....	54,744,841						54,744,841			
1.2 Reinsurance assumed .....	0									
1.3 Reinsurance ceded .....	212,485	0	0	0	0	0	212,485	0	0	0
1.4 Net .....	54,532,356	0	0	0	0	0	54,532,356	0	0	0
2. Paid medical incentive pools and bonuses .....	189,454						189,454			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct .....	9,152,793	0	0	0	0	0	9,152,793	0	0	0
3.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
3.4 Net .....	9,152,793	0	0	0	0	0	9,152,793	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct .....	0									
4.2 Reinsurance assumed .....	0									
4.3 Reinsurance ceded .....	0									
4.4 Net .....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year .....	42,555						42,555			
6. Net healthcare receivables (a) .....	373,910						373,910			
7. Amounts recoverable from reinsurers December 31, current year .....	163,753						163,753			
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct .....	8,933,426	0	0	0	0	0	8,933,426	0	0	0
8.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
8.4 Net .....	8,933,426	0	0	0	0	0	8,933,426	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct .....	0									
9.2 Reinsurance assumed .....	0									
9.3 Reinsurance ceded .....	0									
9.4 Net .....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year .....	40,533						40,533			
11. Amounts recoverable from reinsurers December 31, prior year .....	144,030						144,030			
12. Incurred Benefits:										
12.1 Direct .....	54,590,298	0	0	0	0	0	54,590,298	0	0	0
12.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded .....	232,208	0	0	0	0	0	232,208	0	0	0
12.4 Net .....	54,358,090	0	0	0	0	0	54,358,090	0	0	0
13. Incurred medical incentive pools and bonuses .....	191,476	0	0	0	0	0	191,476	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct .....	1,143,947						1,143,947			
1.2 Reinsurance assumed .....	0									
1.3 Reinsurance ceded .....	0									
1.4 Net .....	1,143,947	0	0	0	0	0	1,143,947	0	0	0
2. Incurred but Unreported:										
2.1 Direct .....	8,008,846						8,008,846			
2.2 Reinsurance assumed .....	0									
2.3 Reinsurance ceded .....	0									
2.4 Net .....	8,008,846	0	0	0	0	0	8,008,846	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct .....	0									
3.2 Reinsurance assumed .....	0									
3.3 Reinsurance ceded .....	0									
3.4 Net .....	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1 Direct .....	9,152,793	0	0	0	0	0	9,152,793	0	0	0
4.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
4.4 Net .....	9,152,793	0	0	0	0	0	9,152,793	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical) .....					0	
2. Medicare Supplement .....					0	
3. Dental Only .....					0	
4. Vision Only .....					0	
5. Federal Employees Health Benefits Plan .....					0	
6. Title XVIII - Medicare .....	7,384,817	47,088,112	229,939	8,922,851	7,614,756	8,933,426
7. Title XIX - Medicaid .....					0	
8. Other health .....					0	
9. Health subtotal (Lines 1 to 8) .....	7,384,817	47,088,112	229,939	8,922,851	7,614,756	8,933,426
10. Healthcare receivables (a) .....	48,131	325,779	0	0	48,131	0
11. Other non-health .....					0	
12. Medical incentive pools and bonus amounts .....	189,454			42,555	189,454	40,533
13. Totals (Lines 9 - 10 + 11 + 12)	7,526,140	46,762,333	229,939	8,965,406	7,756,079	8,973,959

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Title XVIII

Year in Which Losses Were Incurred						Cumulative Net Amounts Paid				
						1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....					0	0	0	0	
2.	2004 .....									
3.	2005 .....					XXX				
4.	2006 .....					XXX	XXX	7,401	3,908	112
5.	2007 .....					XXX	XXX	XXX	32,984	7,414
6.	2008 .....					XXX	XXX	XXX	XXX	46,762

Section B - Incurred Health Claims - Title XVIII

Year in Which Losses Were Incurred						Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
						1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....					0	0	0	0	
2.	2004 .....									
3.	2005 .....					XXX				
4.	2006 .....					XXX	XXX	10,810	4,212	112
5.	2007 .....					XXX	XXX	XXX	41,655	7,644
6.	2008 .....					XXX	XXX	XXX	XXX	55,728

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1.	2004 .....				0.0	0	0.0			0	0.0
2.	2005 .....				0.0	0	0.0			0	0.0
3.	2006 .....	14,584	112	4	3.6	116	0.8	0	0	116	0.8
4.	2007 .....	50,532	7,414	266	3.6	7,680	15.2	230	8	7,918	15.7
5.	2008 .....	67,746	46,762	1,677	3.6	48,439	71.5	8,965	317	57,721	85.2

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....	0	0	0	0	0
2.	2004 .....	0	0	0	0	0
3.	2005 .....	XXX	0	0	0	0
4.	2006 .....	XXX	XXX	7,401	3,908	112
5.	2007 .....	XXX	XXX	XXX	32,984	7,414
6.	2008 .....	XXX	XXX	XXX	XXX	46,762

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....	0	0	0	0	0
2.	2004 .....	0	0	0	0	0
3.	2005 .....	XXX	0	0	0	0
4.	2006 .....	XXX	XXX	10,810	4,212	112
5.	2007 .....	XXX	XXX	XXX	41,655	7,644
6.	2008 .....	XXX	XXX	XXX	XXX	55,728

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2004 .....	0	0	0	0.0	0	0.0	0	0	0	0.0
2. 2005 .....	0	0	0	0.0	0	0.0	0	0	0	0.0
3. 2006 .....	14,584	112	4	3.6	116	0.8	0	0	116	0.8
4. 2007 .....	50,532	7,414	266	3.6	7,680	15.2	230	8	7,918	15.7
5. 2008 .....	67,746	46,762	1,677	3.6	48,439	71.5	8,965	317	57,721	85.2

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	0								
2. Additional policy reserves (a) .....	0								
3. Reserve for future contingent benefits .....	0								
4. Reserve for rate credits or experience rating refunds (including \$ .....0 ) for investment income .....	116,333						116,333		
5. Aggregate write-ins for other policy reserves .....	0	0	0	0	0	0	0	0	0
6. Totals (gross) .....	116,333	0	0	0	0	0	116,333	0	0
7. Reinsurance ceded .....	0								
8. Totals (Net)(Page 3, Line 4) .....	116,333	0	0	0	0	0	116,333	0	0
9. Present value of amounts not yet due on claims .....	0								
10. Reserve for future contingent benefits .....	0								
11. Aggregate write-ins for other claim reserves .....	0	0	0	0	0	0	0	0	0
12. Totals (gross) .....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded .....	0								
14. Totals (Net)(Page 3, Line 7) .....	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501. ....									
0502. ....									
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....	0	0	0	0	0	0	0	0	0
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above) .....	0	0	0	0	0	0	0	0	0

(a) Includes \$ ..... premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ ..... for occupancy of own building) .....	0		99,218		99,218
2. Salary, wages and other benefits .....	112,973	433,695	1,712,799	0	2,259,467
3. Commissions (less \$ ..... ceded plus \$ ..... assumed) .....			2,973,009		2,973,009
4. Legal fees and expenses .....			184,206		184,206
5. Certifications and accreditation fees .....					0
6. Auditing, actuarial and other consulting services ....	24,153	48,305	410,596	0	483,054
7. Traveling expenses .....			162,080		162,080
8. Marketing and advertising .....			1,191,668		1,191,668
9. Postage, express and telephone .....	15,454	38,636	100,453	0	154,543
10. Printing and office supplies .....	0	13,529	31,567	0	45,096
11. Occupancy, depreciation and amortization .....	0	12,097	68,550	0	80,647
12. Equipment .....	0	4,421	17,681	0	22,102
13. Cost or depreciation of EDP equipment and software .....					0
14. Outsourced services including EDP, claims, and other services .....	152,795	1,200,529	2,004,148	0	3,357,472
15. Boards, bureaus and association fees .....					0
16. Insurance, except on real estate .....			12,456		12,456
17. Collection and bank service charges .....			25,800		25,800
18. Group service and administration fees .....					0
19. Reimbursements by uninsured plans .....					0
20. Reimbursements from fiscal intermediaries .....					0
21. Real estate expenses .....					0
22. Real estate taxes .....	0	0	2,040	0	2,040
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....					0
23.2 State premium taxes .....			3,049		3,049
23.3 Regulatory authority licenses and fees .....			30,208		30,208
23.4 Payroll taxes .....	8,776	35,105	131,644	0	175,525
23.5 Other (excluding federal income and real estate taxes) .....					0
24. Investment expenses not included elsewhere .....				52,135	52,135
25. Aggregate write-ins for expenses .....	0	0	693,706	0	693,706
26. Total expenses incurred (Lines 1 to 25) .....	314,151	1,786,317	9,854,878	52,135	(a) .....12,007,481
27. Less expenses unpaid December 31, current year ..		325,382	419,564		744,946
28. Add expenses unpaid December 31, prior year .....		172,406	351,626		524,032
29. Amounts receivable relating to uninsured plans, prior year .....					0
30. Amounts receivable relating to uninsured plans, current year .....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....	314,151	1,633,341	9,786,940	52,135	11,786,567
DETAILS OF WRITE-INS					
2501. Bad Debt Expense .....			676,244		676,244
2502. Misc Expense .....			17,462		17,462
2503. ....					
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	0	0	693,706	0	693,706

(a) Includes management fees of \$ .....2,355,829 to affiliates and \$ ..... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds .....	(a) 421,277	414,822
1.1	Bonds exempt from U.S. tax .....	(a) .....	.....
1.2	Other bonds (unaffiliated) .....	(a) 243,663	289,681
1.3	Bonds of affiliates .....	(a) .....	.....
2.1	Preferred stocks (unaffiliated) .....	(b) .....	.....
2.11	Preferred stocks of affiliates .....	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans .....	(c) .....	.....
4.	Real estate .....	(d) .....	.....
5	Contract Loans .....	.....	.....
6	Cash, cash equivalents and short-term investments .....	(e) 232,631	211,465
7	Derivative instruments .....	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	0	0
10.	Total gross investment income .....	897,571	915,968
11.	Investment expenses .....	.....	(g) 52,135
12.	Investment taxes, licenses and fees, excluding federal income taxes .....	.....	(g) 0
13.	Interest expense .....	.....	(h) .....
14.	Depreciation on real estate and other invested assets .....	.....	(i) .....
15.	Aggregate write-ins for deductions from investment income .....	.....	0
16.	Total deductions (Lines 11 through 15) .....	.....	52,135
17.	Net investment income (Line 10 minus Line 16)	.....	863,833
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0
1501.	.....	.....	.....
1502.	.....	.....	.....
1503.	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....	.....	0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)	.....	0

- (a) Includes \$ 12,161 accrual of discount less \$ 9,417 amortization of premium and less \$ 80,106 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ 2,826 accrual of discount less \$ 11,176 amortization of premium and less \$ 12,394 paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$. investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	34,642	0	34,642	0	0
1.1	Bonds exempt from U.S. tax .....	.....	.....	0	.....	.....
1.2	Other bonds (unaffiliated) .....	2,699	0	2,699	0	0
1.3	Bonds of affiliates .....	0	0	0	0	0
2.1	Preferred stocks (unaffiliated) .....	0	0	0	0	0
2.11	Preferred stocks of affiliates .....	0	0	0	0	0
2.2	Common stocks (unaffiliated) .....	0	0	0	0	0
2.21	Common stocks of affiliates .....	0	0	0	0	0
3.	Mortgage loans .....	0	0	0	0	0
4.	Real estate .....	0	0	0	.....	0
5.	Contract loans .....	.....	.....	0	.....	.....
6.	Cash, cash equivalents and short-term investments .....	1,075	.....	1,075	.....	.....
7.	Derivative instruments .....	.....	.....	0	.....	.....
8.	Other invested assets .....	0	0	0	0	0
9.	Aggregate write-ins for capital gains (losses) .....	0	0	0	0	0
10.	Total capital gains (losses) .....	38,416	0	38,416	0	0
DETAILS OF WRITE-INS						
0901.	.....	.....	.....	.....	.....	.....
0902.	.....	.....	.....	.....	.....	.....
0903.	.....	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0	0	0	0



EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D) .....			0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....			0
2.2 Common stocks .....			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....			0
3.2 Other than first liens .....			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....			0
4.2 Properties held for the production of income .....			0
4.3 Properties held for sale .....			0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA) .....		0	0
6. Contract loans .....			0
7. Other invested assets (Schedule BA) .....			0
8. Receivables for securities .....			0
9. Aggregate write-ins for invested assets .....	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	0	0	0
11. Title plants (for Title insurers only) .....			0
12. Investment income due and accrued .....			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection .....	29,498	142,503	113,005
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			0
13.3 Accrued retrospective premiums .....			0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers .....	0		0
14.2 Funds held by or deposited with reinsured companies .....			0
14.3 Other amounts receivable under reinsurance contracts .....			0
15. Amounts receivable relating to uninsured plans .....			0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			0
16.2 Net deferred tax asset .....	305,993		(305,993)
17. Guaranty funds receivable or on deposit .....			0
18. Electronic data processing equipment and software .....			0
19. Furniture and equipment, including health care delivery assets .....	16,128	32,905	16,777
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			0
21. Receivable from parent, subsidiaries and affiliates .....		0	0
22. Health care and other amounts receivable .....	300,186		(300,186)
23. Aggregate write-ins for other than invested assets .....	152,452	392,332	239,880
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	804,257	567,740	(236,517)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0
26. Total (Lines 24 and 25) .....	804,257	567,740	(236,517)
DETAILS OF WRITE-INS			
0901. ....			
0902. ....			
0903. ....			
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above) .....	0	0	0
2301. Prepaid Expenses .....	152,298	391,845	239,547
2302. Non-Statutory Deposits .....	154	487	333
2303. ....			
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above) .....	152,452	392,332	239,880

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations .....	5,827	7,388	7,581	7,547	7,464	89,533
2. Provider Service Organizations .....						
3. Preferred Provider Organizations .....						
4. Point of Service .....						
5. Indemnity Only .....						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total	5,827	7,388	7,581	7,547	7,464	89,533
DETAILS OF WRITE-INS						
0601. ....						
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

1. **Summary of Significant Accounting Policies**

**A. Accounting Practices**

The accompanying financial statements of the Company have been prepared in conformity with the Statutory Accounting Practices (“SAP”) set forth in the National Association of Insurance Commissioners’ (“NAIC”) *Accounting Practices and Procedures Manual*, version effective March 2008.

The Arkansas Insurance Department (“ARDOI”) requires that insurance companies domiciled in Arkansas prepare their statutory basis financial statements in accordance with NAIC SAP to the extent that the practices and procedures contained in the manual do not conflict with any other provisions of Arkansas Insurance Code. Title 23, subtitle of the Arkansas Insurance Code contains differences from NAIC SAP. These sections that supersede the NAIC SAP rules pertain primarily to limitations on investments, and reserve requirements.

**B. Use of Estimates in the Preparation of the Financial Statements**

The preparation of financial statements as prescribed by SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**C. Accounting Policy**

**Investments**

Investments are stated in accordance with methods and values adopted by the NAIC and, as such, bonds are generally stated at amortized cost. The retrospective method is used to value mortgage-backed securities. Prepayment assumptions and market values for mortgage-backed securities were obtained from IDC or Bloomberg as of December 31, 2008. Premiums and discounts on fixed maturity investments are accreted to income using the modified scientific method over the anticipated life of the security. Short-term investments and U.S. Treasury Bills are carried at amortized cost, which approximates fair market value. Market values are determined using prices published by the NAIC Securities Valuation Office (“SVO”), IDC or Bloomberg.

Net investment income earned consists of interest less investments-related expense. Interest is recognized on an accrual basis. Realized gains or losses on the sale of investments are determined on the specific identification method. Unrealized gains or losses are reflected directly in unassigned surplus and, accordingly, do not affect the statements of income.

**Cash and Short-Term Investments**

Cash includes balances held in banks and certificates of deposit with maturities of less than one year. Investments which have a maturity of one year or less, at the date of purchase, including money market mutual funds, are considered short-term investments and are carried at cost or amortized cost.

**Other Accounting Policies**

Unpaid claims adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not yet reported. Such estimates are based on assumptions and while management believes the amount to be adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and establishing the resulting liability are continually reviewed and adjustments are reflected in the period determined.

The costs to acquire new members are expensed as incurred.

2. **Accounting Changes and Correction of Errors**

Not Applicable

3. **Business Combinations and Goodwill**

Not Applicable

4. **Discontinued Operations**

Not Applicable

5. **Investments**

A, B & C. Arkansas Community Care, Inc. (“ACC”) had no mortgage loans, debt restructuring or reverse mortgages at December 31, 2008.

D. Loan-Backed Securities

- (1) The Company has no securities purchased prior to January 1, 1994.
- (2) The retrospective method is used to value mortgage-backed securities. Prepayment assumptions and market values for mortgage-backed securities were obtained from the NAIC. When market prices are not available, ACC uses IDC pricing followed by Bloomberg and custodial pricing as of December 31, 2008.
- (3) The Company has not changed from the retrospective to the prospective adjustment methodology on any securities.

E, F & G. ACC had no repurchase agreements, real estate investments or Low Income Housing Tax Credit investments at December 31, 2008.

6. **Joint Ventures, Partnerships and Limited Liability Companies**

The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

7. **Investment Income**

For the year ended December 31, 2008, reported net investment income was \$863,833. At December 31, 2008 ACC had investment income due and accrued of \$194,114 all of which has been admitted.

8. **Derivative Instruments**

Not Applicable

9. **Income Taxes**

A. The company has deferred tax assets that consist of the following:

	2008	2007
Total deferred tax asset	\$ 1,276,951	\$ 1,666,230
Non-admitted deferred tax asset	(305,993)	(1,360,278)
Admitted deferred tax asset	970,958	305,952
Change in non-admitted deferred tax asset	<u>\$ 1,054,285</u>	<u>\$ 101,253</u>

B. Not Applicable

C. The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets were as follows:

	2008	2007	Change
Depreciation and amortization	\$ 305,993	\$ 14,676	\$ 291,317
Unpaid losses and LAE	225,185	285,407	(60,222)
Unearned premiums	-	23	(23)
Accruals and reserves	170,975	19,413	151,562
Net operating loss carry forwards	575,193	1,345,436	(770,243)
Other	(395)	1,275	(1,670)
Total deferred tax assets	1,276,951	1,666,230	(389,279)
Non-admitted deferred tax assets	(305,993)	(1,360,278)	1,054,285
Net deferred tax assets	\$ 970,958	\$ 305,952	\$ 665,006

D. The provision for Federal income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before Federal income taxes. The significant items causing this difference are as follows:

	2008	Percent	2007	Percent
Income (loss) before taxes	\$2,183,054		\$ (1,564,045)	—
U.S. tax (benefit) at statutory rate	742,238	34.00	(531,775)	34.00
Expenses deducted on books not deducted on the return	(352,959)	(16.17)	236,360	(15.11)
Change in non-admitted deferred tax	1,054,285	(48.29)	—	—
Deferred tax	665,006	30.46	(10,537)	0.67
Tax expense (benefit)	\$ —	—%	\$ (305,952)	20.00%

- E. At December 31, 2008 the Company had an estimated \$1,691,748 of net operating loss carry-forwards which begin expiring in 2025.
- F. The Company’s Federal income tax return is consolidated with Arcadian Management Services, Inc. (“AMS”), Arcadian Health Plan, Inc. (“AHP”), Arcadian Health Plan of Georgia, Inc. (“AHPGA”), Arcadian Health Plan of Louisiana, Inc. (“AHPLA”), Arcadian Health Plan of North Carolina, Inc. (“AHPNC”) and Arcadian Health Plan of New York, Inc. (“AHPNY”). The agreement established amongst these companies is to use a pure separate company approach with no current credit for any net operating losses or other items utilized in the consolidated tax return.

10. **Information Concerning Parent, Subsidiaries and Affiliates**

- A. The Company is owned 60% by AHP and 40% by AMS. The Company was granted a Certificate of Authority by the Arkansas Insurance Commissioner on March 21, 2005.
- B & C. Not Applicable
- D. At December 31, 2008, the Company had \$1,596,440 payable to its parent AHP and a \$17,641 receivable from its parent AMS. The majority of the amounts owed by the Company are for pharmacy costs and broker commissions paid from AHP’s bank account on behalf of ACC. The terms of the intercompany agreements require that these balances be settled monthly.
- E. Not Applicable
- F. AMS supplies certain services to its subsidiary companies. Those services include enrollment processing, claims processing, professional credentialing, information technology, treasury, financial and tax services. Total compensation under this contract is on a per member per month basis with additional flat rate fees. These fees totaled \$2,355,829 for the year ended December 31, 2008. Portions of this amount are included in the payable due to its affiliate company AHP, which collects the management fees for the affiliate health plans and remits the total to AMS.

All of the departmental costs associated with finance/accounting, health/member/physician services, pharmacy management, corporate sales, regulatory

compliance, and new market development are originally recorded on the books of AHP and then allocated to its subsidiary (ACC) and affiliates based on membership (enrollment). The costs being allocated include the salaries, bonuses, expenses, and benefits of all who are listed as AHP employees and who perform job functions for AHP, ACC, AHPGA, AHPLA, AHPNC and AHPNY. Other costs that are allocated to the subsidiary and affiliate health plans include, but are not limited to: postage, utilities, general consulting and legal fees, temporary help, employee recruitment, office supplies, depreciation on office furniture/equipment, software licenses, and overhead costs associated with overall design and production of health plan marketing materials. Allocated costs from AHP to ACC were \$3,672,779 as of December 31, 2008.

G. 60% of the outstanding shares of the Company are owned by AHP, a health maintenance organization domiciled in Washington. The remaining 40% is owned by AMS, a management services organization domiciled in Delaware.

H. Not Applicable

I, J & K. ACC does not have an investment in a Subsidiary Controlled or Affiliated Entity that exceeds 10% of the company's admitted assets. The company likewise has no investments in foreign insurance subsidiaries.

11. **Debt**

The Company has no outstanding debt as of December 31, 2008.

12. **Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

A. The Company participates in a qualified, 401(k) plan sponsored by the parent company, AMS. Non-highly compensated employees that earned less than \$100,000 in the previous calendar year are eligible for a company match of up to 5% of their annual income that is contributed to the plan. Employer match contributions are made on an annual basis and are accrued for monthly. ACC's match for the year ended December 31, 2008 is recorded at \$16,615.

The 401(k) plan is administered by Fidelity Investments and therefore the Company assumes none of the liabilities associated with its administration.

B, C & D. The Company does not participate in any defined contribution plans, multiemployer plans, or consolidated/holding company plans.

E. The Company accrues a liability for paid time off for its employees on a monthly basis. The liability for compensated absences can be reasonably estimated and is reflected as part of the general expenses due and accrued on page 3 of this annual filing.

F. The Medicare Modernization Act on Postretirement Benefits had no material financial impact on the Company.

13. **Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations**

1. The Company has 10 shares authorized and 5 shares issued and outstanding of \$0.01 par value common stock as of December 31, 2008.

2. The Company has no preferred stock authorized.

3 & 4. The Company has not paid out any dividends to stockholders as of December 31, 2008 and is not expected to issue dividends based on 2008 losses as the Company is expected to remain in a deficit position with regard to its unassigned surplus.

5. The Company is not currently in a surplus position with regard to unassigned funds.

6. Not Applicable.

- 7. The Company does not have any stock held for special purposes such as conversion of preferred stock, employee stock options, or stock purchase warrants.
- 8. There were no changes to any special surplus funds from the prior period.
- 9. Unassigned surplus includes a reduction of \$804,257 for non-admitted assets, of which \$305,993 is the non-admitted portion of deferred tax. The remainder of this reduction primarily represents provider receivables greater than 90-days old, prepaid expenses, office furniture and equipment, and non-statutory deposits.
- 10, 11 & 12. The Company does not have any surplus notes and has not entered into any quasi-reorganizations.

14. **Contingencies**

- A. Not Applicable.
- B, C, D & E. ACC has not had any assessments, gain contingencies, contractual or bad faith losses related to lawsuits or any other contingencies.

15. **Leases**

- A. The Company leases office equipment under various non-cancelable operating agreements that expire on, or before, March 31, 2012. In addition, the Company has entered into a lease for office space that expires in 2012. Total lease payments for the 12-months ending December 31, 2008 were \$113,994.

As of December 31, 2008, the Company has the following aggregate non-cancelable lease commitments:

<u>Year</u>	<u>Amount</u>
2009	\$ 68,104
2010	64,455
2011	64,455
2012	21,485
<b><u>Total</u></b>	<b><u>\$ 218,499</u></b>

- B. Leasing is not a significant part of the Company’s business activities in terms of revenue, net income or assets.

16. **Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk**

Not Applicable

17. **Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

Not Applicable

18. **Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

- A. ASO Plans - Not applicable
- B. ASC Plans – Not applicable
- C. Medicare Plans – Low Income Cost Sharing (“LICS”) reconciliation payable.

The Company receives LICS advance payments from the Center of Medicare and Medicaid Services (“CMS”) on a monthly basis. These payments represent the difference in dollar amount that CMS pays on behalf of low income beneficiaries for their prescriptions versus non-low income beneficiaries. It is paid to ACC on a prospective basis. Plans are paid dollar for dollar for the low income subsidy cost

sharing, and since plans are paid prospectively, an annual reconciliation will be performed. The difference between the actual LICS pharmacy costs incurred for the 2008 service year and the advance payments received will be recognized as a payable (if advance payments are higher than costs) or a receivable (if advance payments are less than costs), and settled with CMS approximately six-months after year end.

As of December 31, 2008, the Company’s liability for LICS payable was as follows:

Amounts received from CMS (plan years 2007 & 2008)	\$6,270,811
(Less): Pharmacy expenses paid by AHP on behalf of Low income members (plan years 2007 & 2008)	(3,994,116)
(Less): Statement/Reconciliation of 2007 liability (paid back to CMS in 2008)	( 2,176,275)
<u>LICS liability to CMS @ December 31, 2008</u>	<u>\$ 100,240</u>

The company has recorded this liability as an amount held under uninsured plans on page 3 of this annual filing. The amount settled for the 2007 reconciliation was netted against CMS’ monthly payments to ACC for the November 2008 and December 2008 plan months.

19. **Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

Not Applicable

20. **Other Items**

**Current Economic Situation**

The last two quarters of 2008, were periods of significant economic concerns. At the core of the current economic crisis is a vast array of new securities comprised of problematic mortgage loans. To complicate the situation, many of these securities used leverage to increase returns. These securities include CDOs, CLOs and CMOs. While the credit freeze has diminished the values of almost all securities, the above securities have become completely illiquid. Some of them have defaulted and others are trading at only a few cents on the dollar. Currently there is great concern that these assets combined with some financial bond investments will lower the risk adjusted capital of insurers below their authorized control level. In an effort to alleviate any concerns that regulators may have concerning ACC’s financial stability, the Company has provided a brief overview (below) of its current investment portfolio.

**ACC’s Current Portfolio**

ACC’s portfolio is well-diversified, secure and providing the cash flow and book yield necessary to assist the operations of the Company. As of December 31, 2008, ACC had no exposure to any investments in the CDO or CLO securities that are referenced above. ACC did not invest in the debt of Lehman or Washington Mutual, nor did it invest in common or preferred stock. ACC has not experienced a single impairment resulting from the economic crisis that has impacted almost the entire financial sector. As of December 31, 2008, all of the current assets of ACC are reported at amortized cost in this annual filing.

**Conservative Exposure to Government and Agency Bonds**

As of December 31, 2008, ACC had cash and invested assets of \$18,141,995. Approximately 47% (or \$8,487,579) of the Company’s investments are in Government or Agency bonds with a rating of AAA/AAA. To provide additional security, these assets are “laddered” with maturities occurring at various intervals. Investments in the government category represent the strong conservative foundation of the portfolio.

**Additional Assets**

ACC’s portfolio included \$5,578,110, or 31%, in investment grade corporate bonds. This portfolio is highly diversified with holdings in 55 separate issues. Many of the corporate issues owned by ACC have book values of \$100,000. These issues are of high quality and, all are expected to pay interest and principal.

**Mortgage Securities**



As of December 31, 2008, ACC had \$982,427 invested in mortgage backed securities. Of these \$860,526 have both their interest and principal payments backed by the government. The remaining \$121,901 of securities are performing extremely well and paying principal and interest payments as expected and carry the highest NAIC rating classification. ACC currently hasn't any exposure to a single mortgage issue that has been downgraded as to its NAIC classification.

**Investment Philosophy during These Trying Times**

During this time of economic concern, the portfolio of ACC has been positioned more conservatively. The average life of the assets in the portfolio has been reduced to a duration of 2.84 years and cash flows have been reinvested in conservative government and agency securities.

**Realized Gain/Loss**

During 2008, ACC experienced no realized losses and had cumulative realized gains of \$38,416 on 80 issues.

21. **Events Subsequent**

The Company's net unrealized losses (losses net of gains) as of January 31, 2009 were \$330,766 which represents approximately 3.2% of the Company's total capital and surplus as at December 31, 2008. As of January 31, 2009, none of the cash flows generated from these holdings in ACC's portfolio have been impaired, nor are they expected to become impaired.

22. **Reinsurance**

**A. Section 1 – General Interrogatories**

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% of controlled, either directly or indirectly, by the Company or by any representative, officer, trustee or director of the Company?  
Yes ( ) No (X)
- (2) Have any policies issued by the Company been reinsured with a company chartered in a country other than United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?  
Yes ( ) No (X)

**A. Section 2 – Ceded Reinsurance Report – Part A**

- (1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for non-payment of premium or other similar credit?  
Yes ( ) No (X)
- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?  
Yes ( ) No (X)

**A. Section 3 – Ceded Reinsurance Report – Part B**

- (1) What is the estimated amount of aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected on Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of business reinsured in making this estimate. \$163,751
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which

had existing reserves established by the Company as of the effective date of the agreement?

Yes ( ) No (X)

**B. Uncollectible Reinsurance – Not Applicable (None)**

**C. Commutation of Ceded Reinsurance – Not Applicable (None)**

23. **Retrospectively Rated Contracts & Contracts Subject to Redetermination**

Not applicable.

24. **Change in Incurred Claims and Claim Adjustment Expenses**

Reserves for incurred losses and loss adjustment expenses attributable to insured events has increased by \$374,364 from \$9,146,365 in 2007 to \$9,520,729 as of December 31, 2008 as a result of changes in estimates of unpaid losses and loss adjustment expenses. This increase is driven primarily by the result of ongoing analysis of recent loss development trends and increased membership. Original estimates are increased or decreased as additional information becomes known regarding individual claims. Included in this increase, the Company experienced \$1,217,880 of favorable prior year loss development on retrospectively rated policies.

25. **Intercompany Pooling Arrangements**

Not Applicable

26. **Structured Settlements**

Not Applicable

27. **Health Care Receivables**

A. Pharmaceutical Rebate Receivables – Not applicable. The Company recognizes pharmacy rebates on a cash basis.

B. Risk Sharing Receivables – Not applicable.

C. Other – (Claims Receivable Due from Providers and A/R –P2P)

The Company paid medical and hospital claims on members that were subsequently terminated retroactively by CMS. As most of the claims paid were with contracted providers, the Company is able to seek reimbursement from the providers for these non-eligible members' claims per provisions of the contracts. The receivable is recorded when billed and an allowance for doubtful accounts is provided based on historical collection rates and other factors. At December 31, 2008, the Company admitted a net receivable due from providers of \$650,518.

In addition, the Company incurred pharmacy claims on members that were subsequently transferred to other health plans by CMS. Pursuant to Medicare Part D reimbursement regulations, the Company is able to bill the other plans for these claims (A/R – P2P) and report any non-payment to CMS after 30-days. Accordingly, the Company recorded A/R- P2P of \$383 as of December 31, 2008.

As of December 31, 2008, the Company had a receivable, net of allowances for doubtful accounts, due from its agents of \$13,450 all of which is over 90-days old and therefore non-admitted. The Company has started its selling season which will continue through the first quarter of 2009 and much of these receivables are expected to be recovered. This receivable is driven primarily by commissions paid on retroactively terminated members.

28. **Participating Policies**

Not Applicable

29. **Premium Deficiency Reserves**

Not Applicable

30. **Anticipated Salvage and Subrogation**

Not Applicable

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES  
GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

Arkansas

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2

If yes, date of change:

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2007

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2007

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

09/26/2008

3.4

By what department or departments?

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ☒ No ☐ N/A ☐

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ N/A ☐

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes ☐ No ☒

4.22 renewals?

Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒

7.2

If yes,

7.21 State the percentage of foreign control;

%

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? .....

Yes [ ] No [ X ]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms? .....

Yes [ ] No [ X ]
- 8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young LLP  
18111 Von Karman Ave. Ste 1000  
Irvine, CA 92612-1007
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Deloitte Consulting LLP  
50 Fremont Street Ste 3100 (25067)  
San Francisco, CA 94105-2230
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? .....

Yes [ ] No [ X ]

11.11

Name of real estate holding company .....

11.12

Number of parcels involved .....

11.13

Total book/adjusted carrying value .....

\$ .....
- 11.2

If, yes provide explanation:
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? .....

Yes [ ] No [ ]
- 12.3

Have there been any changes made to any of the trust indentures during the year? .....

Yes [ ] No [ ]
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? .....

Yes [ ] No [ ] N/A [ ]
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? .....

Yes [ X ] No [ ]

(a)

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b)

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c)

Compliance with applicable governmental laws, rules and regulations;

(d)

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e)

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:
- 13.2

Has the code of ethics for senior managers been amended? .....

Yes [ ] No [ X ]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers? .....

Yes [ ] No [ X ]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? .....

Yes [ X ] No [ ]
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? .....

Yes [ X ] No [ ]
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? .....

Yes [ X ] No [ ]

GENERAL INTERROGATORIES

FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [ ] No [ X ]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

\$ 0

18.12 To stockholders not officers

\$ 0

18.13 Trustees, supreme or grand (Fraternal Only)

\$ 0

18.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

\$ 0

18.22 To stockholders not officers

\$ 0

18.23 Trustees, supreme or grand (Fraternal Only)

\$ 0

19.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [ ] No [ X ]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

\$ 0

19.22 Borrowed from others

\$ 0

19.23 Leased from others

\$ 0

19.24 Other

\$ 0

20.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [ ] No [ X ]

20.2

If answer is yes,

20.21 Amount paid as losses or risk adjustment

\$ 0

20.22 Amount paid as expenses

\$ 0

20.23 Other amounts paid

\$ 0

21.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [ X ] No [ ]

21.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)

Yes [ X ] No [ ]

22.2

If no, give full and complete information relating thereto:

22.3

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)

22.4

Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [ ] No [ ]

22.5

If answer to 22.4 is YES, report amount of collateral.

\$

22.6

If answer to 22.4 is NO, report amount of collateral.

\$

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3).

Yes [ ] No [ X ]

23.2

If yes, state the amount thereof at December 31 of the current year:

23.21 Subject to repurchase agreements

\$ 0

23.22 Subject to reverse repurchase agreements

\$ 0

23.23 Subject to dollar repurchase agreements

\$ 0

23.24 Subject to reverse dollar repurchase agreements

\$ 0

23.25 Pledged as collateral

\$ 0

23.26 Placed under option agreements

\$ 0

23.27 Letter stock or other securities restricted as to sale

\$ 0

23.28 On deposit with state or other regulatory body

\$ 751,650

23.29 Other

\$ 0

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ] No [ X ]

24.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [ ] No [ ] N/A [ X ]

If no, attach a description with this statement.

25.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [ ] No [ X ]

25.2

If yes, state the amount thereof at December 31 of the current year.

\$

GENERAL INTERROGATORIES

26. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes ☒ No ☐

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Bank of the West .....	Oakland, CA .....
Metropolitan nation Bank .....	Little rock , AR .....
Morgan Keegan .....	Memphis TN .....
Wells Fargo Bank .....	Houston, TX .....
US Bank .....	Saint Paul, MN .....
.....	.....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....
.....	.....	.....
.....	.....	.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes ☐ No ☒

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
112629 .....	Parkway Advisors LLP .....	6550 Directors Parkway Abilene, TX 79606 .....
.....	.....	.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes ☐ No ☒

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....	.....	.....
.....	.....	.....
27.2999 - Total	.....	0

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....	.....	.....	.....
.....	.....	.....	.....

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ARKANSAS COMMUNITY CARE, INC.

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds .....	18,528,768	18,200,213	(328,555)
28.2 Preferred stocks .....	0	0	0
28.3 Totals	18,528,768	18,200,213	(328,555)

28.4 Describe the sources or methods utilized in determining the fair values:  
IDC or Bloomberg

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? ..... Yes [ X ] No [ ]

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? .....\$ .....0

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....
.....	.....
.....	.....

31.1 Amount of payments for legal expenses, if any? .....\$ .....10,369

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Mitchell, William, Seleg, Gates & Woodyard .....	9,022
.....	.....

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? .....\$ .....

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....
.....	.....
.....	.....



GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force? .....

Yes [   ] No [ X ]

1.2

If yes, indicate premium earned on U. S. business only .....

\$ .....

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....

\$ .....

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. ....

\$ .....

1.5

Indicate total incurred claims on all Medicare Supplement Insurance. ....

\$ .....

1.6

Individual policies:

Most current three years:

1.61

Total premium earned .....

\$ .....

1.62

Total incurred claims .....

\$ .....

1.63

Number of covered lives .....

.....

All years prior to most current three years

1.64

Total premium earned .....

\$ .....

1.65

Total incurred claims .....

\$ .....

1.66

Number of covered lives .....

.....

1.7

Group policies:

Most current three years:

1.71

Total premium earned .....

\$ .....

1.72

Total incurred claims .....

\$ .....

1.73

Number of covered lives .....

.....

All years prior to most current three years

1.74

Total premium earned .....

\$ .....

1.75

Total incurred claims .....

\$ .....

1.76

Number of covered lives .....

.....

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator .....

67,746,008

50,531,693

2.2

Premium Denominator .....

67,746,008

50,531,693

2.3

Premium Ratio (2.1/2.2) .....

1.000

1.000

2.4

Reserve Numerator .....

9,311,681

13,017,315

2.5

Reserve Denominator .....

9,311,680

13,017,315

2.6

Reserve Ratio (2.4/2.5) .....

1.000

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? .....

Yes [   ] No [ X ]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? .....

Yes [ X ] No [   ]

4.2

If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? .....

Yes [ X ] No [   ]

5.1

Does the reporting entity have stop-loss reinsurance? .....

Yes [ X ] No [   ]

5.2

If no, explain

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical .....

\$ .....

270,000

5.32

Medical Only .....

\$ .....

5.33

Medicare Supplement .....

\$ .....

5.34

Dental & Vision .....

\$ .....

5.35

Other Limited Benefit Plan .....

\$ .....

5.36

Other .....

\$ .....

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ARKANSAS COMMUNITY CARE, INC.

Reinsurance .....

Arkansas Community Care ("ACC") obtained reinsurance through HCC Life Insurance Company for catastrophic cases with the following terms: One hundred fifty thousand dollars (\$150,000) deductible, eighty percent (80%) reimbursement and two million dollars (\$2,000,000) lifetime maximum per member. This reinsurance reduces the risk for ACC, in two (2) areas, which could become very costly for the Plan. ACC's Plan for Risk of Insolvency, should such an event occur, will continue to provide contracted benefits to members, upon continued payment of premium, for the duration of the associated contract period, but no less than sixty (60) days from the date insolvency is declared. This is provided by the following: 1.Contractual Obligations of Contracted Providers .....

a.....Hospital Contracts for Impatient Services

ACC has contracts with several area hospitals that specify that the hospitals have the responsibility to treat all patients of ACC for agreed upon fee arrangements. As a Medicare Advantage health plan, ACC's maximum compensation is limited to contracted rates or one hundred percent (100%) of the then current Medicare allowable rate for the hospital service area for non-contracted hospitals. Included within the contract are the following provisions regarding potential ACC insolvency: .....

No Billing of Members (Member Hold Harmless Provision). Hospital hereby agrees that in no event, including, without limitation, non-payment by ACC, ACC's insolvency or breach of this Agreement, shall Hospital or any of its Hospital Providers bill, charge, collect a deposit from, seek compensation, remuneration, or reimbursement from, or have any recourse against a Member or person, other than ACC, acting on his or her behalf, for services provided pursuant to this Agreement except for non-covered services where an Advanced Beneficiary Notice was obtained or those services which are a specific exclusion from the Medicare program. This provision shall not prohibit collection of deductibles, Copayments, co-insurance and/or non-Covered Services, which have not otherwise been paid by a primary or secondary carrier in accordance with regulatory standards for coordination of benefits, from Members in accordance with the terms of the Member's Subscriber Agreement and Evidence of Coverage. Hospital and its Hospital Providers shall not maintain any action at law or equity against a Member to collect sums owed by ACC to Hospital. Upon notice of any such action, ACC may terminate this Agreement as provided above and take all other appropriate action consistent with the terms of this Agreement to eliminate such charges, including, without limitation, requiring Hospital and its Hospital Providers to return all sums collected as surcharges from Members or their representatives. For purposes of this Agreement, "Surcharges" are additional fees for Covered Services which are not disclosed to Members in the Subscriber Agreement and Evidence of Coverage, are not allowable Copayments and are not authorized by this Agreement. Nothing in this Agreement shall be construed to prevent Hospital from providing non-Covered Services on a usual and customary fee-for-service basis to Members. ....

Hospital or its Hospital Providers may not bill the Member for Hospital Services (except for deductibles, Copayments, co-insurance) where ACC denies payments because Hospital has failed to comply with the terms of this Agreement. ....

Obligations if ACC Ceases Operating or Termination of Agreement for Nonpayment. Notwithstanding any other provisions of this Agreement, Hospital agrees that in the event ACC ceases operations for any reason, including insolvency, Hospital and its Hospital Providers shall provide or arrange Hospital Services and shall not bill, charge, collect or receive any form of payment from any Member for Hospital Services provided after ACC ceases operations. This continuation of Hospital Services obligation shall be for those Members who are hospitalized on an inpatient basis as provided below. ....

In the event ACC ceases operations or Hospital terminates this Agreement on the basis of ACC's failure to make timely payments, Hospital and its Hospital Providers shall continue to provide or arrange for Hospital Services to those Members who are hospitalized on an inpatient basis at the time ACC ceases operations or Hospital terminates this Agreement until such Members are discharged from the hospital. Hospital shall not bill, charge, collect or receive any form of payment from any Member for such Covered Services. ....

b.....Physician and Provider Contracts

ACC has contracts with local providers that specify that the providers have the responsibility to treat all patients of ACC for per agreed upon fee arrangements. As a Medicare Advantage health plan, ACC's maximum compensation is limited to contracted rates or one hundred percent (100%) of the then current Medicare allowable rate for the hospital service area for non-contracted providers. Included within the contract are the following provisions regarding potential ACC insolvency: .....

No Billing of Members (Member Hold Harmless Provision). Provider Group and its Participating Providers hereby agrees that in no event, including, without limitation, non-payment by ACC, ACC's insolvency or breach of this Agreement, shall Provider Group and its Participating Providers bill, charge, collect a deposit from, seek compensation, remuneration, or reimbursement from, or have any recourse against a Member or person, other than ACC, acting on his or her behalf, for Covered Services provided pursuant to this Agreement. This provision shall not prohibit collection of deductibles, Copayments, co-insurance and/or non-Covered Services, which have not otherwise been paid by a primary or secondary carrier in accordance with regulatory standards for coordination of benefits, from Members in accordance with the terms of the Member's Subscriber Agreement and Evidence of Coverage. Provider Group and its Participating Providers shall not maintain any action at law or equity against a Member to collect sums owed by ACC to Provider Group and its Participating Providers. Upon notice of any such action, ACC may terminate this Agreement as provided above and take all other appropriate action consistent with the terms of this Agreement to eliminate such charges, including, without limitation, requiring Provider Group and its Participating Providers to return all sums collected as surcharges from Members or their representatives. For purposes of this Agreement, "Surcharges" are additional fees for Covered Services which are not disclosed to Members in the Subscriber Agreement and Evidence of Coverage, are not allowable Copayments and are not authorized by this Agreement. Nothing in this Agreement shall be construed to prevent Provider Group and its Participating Providers from providing non- Covered Services on a usual and customary fee-for-service basis to Members. Provider Group and its Participating Providers may not bill the Member for Covered Services (except for deductibles, Copayments, or co-insurance) where ACC denies payments because Provider Group and its Participating Providers have failed to comply with the terms of this Agreement. ....

Obligations if ACC Ceases Operating or Termination of Agreement for Nonpayment. Notwithstanding any other provisions of this Agreement, Provider Group and its Participating Providers agrees that in the event ACC ceases operations for any reason, including insolvency, Provider Group and its Participating Providers shall provide Covered Services and shall not bill, charge, collect or receive any form of payment from any Member for Covered Services provided after ACC ceases operations. Such obligation shall be for the period for which premium has been paid, except for those Members who are hospitalized on an inpatient basis as provided below. ....

In the event ACC ceases operations or Provider Group terminates this Agreement on the basis of ACC's failure to make timely payments, Provider Group and its Participating Providers shall continue to provide for Covered Services to those Members who are hospitalized on an inpatient basis at the time ACC ceases operations or Provider Group terminates this Agreement until such Members are discharged from the hospital. Provider Group and its Participating Providers shall not bill, charge, collect or receive any form of payment from any Member for such Covered Services. ....

7.1	Does the reporting entity set up its claim liability for provider services on a service date basis?.....	Yes [ X ]	No [ ]
7.2	If no, give details 1.Contractual Obligations of Contracted Providers		
8.	Provide the following information regarding participating providers:	8.1 Number of providers at start of reporting year .....	2,589
		8.2 Number of providers at end of reporting year .....	4,878
9.1	Does the reporting entity have business subject to premium rate guarantees? .....	Yes [ ]	No [ X ]
9.2	If yes, direct premium earned:	9.21 Business with rate guarantees between 15-36 months..\$.....	
		9.22 Business with rate guarantees over 36 months .....	\$.....

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ARKANSAS COMMUNITY CARE, INC.

GENERAL INTERROGATORIES

10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes [ X ] No [ ]

10.2

If yes:

10.21

Maximum amount payable bonuses.....

\$ 2,518,833

10.22

Amount actually paid for year bonuses.....

\$ 189,453

10.23

Maximum amount payable withholds.....

\$

10.24

Amount actually paid for year withholds.....

\$

11.1

Is the reporting entitiy organized as:

11.12

A Medical Group/Staff Model, .....

Yes [ ] No [ X ]

11.13

An Individual Practice Association (IPA), or, ..

Yes [ ] No [ X ]

11.14

A Mixed Model (combination of above)? .....

Yes [ ] No [ X ]

11.2

Is the reporting entity subject to Minimum Net Worth Requirements? .....

Yes [ X ] No [ ]

11.3

If yes, show the name of the state requiring such net worth .....

Arkansas

11.4

If yes, show the amount required .....

\$ 3,000,000

11.5

Is this amount included as part of a contingency reserve in stockholder's equity? .....

Yes [ ] No [ X ]

11.6

If the amount is calculated, show the calculation

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Arkansas (Fort Smith/Texarkana/Fayetteville/Little Rock/Hot Springs) .....
Texas (Texarkana) .....
Oklahoma (Fort Smith/Texarkana) .....
.....

FIVE-YEAR HISTORICAL DATA

	1 2008	2 2007	3 2006	4 2005	5 2004
<b>Balance Sheet</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26) .....	22,231,409	24,774,716	8,790,470	5,070,029	
2. Total liabilities (Page 3, Line 22) .....	11,753,486	17,565,947	6,035,108	64,442	
3. Statutory surplus .....	3,000,000	7,208,766	2,755,362		
4. Total capital and surplus (Page 3, Line 31) .....	10,477,922	7,208,769	2,755,362	5,005,587	
<b>Income Statement</b> (Page 4)					
5. Total revenues (Line 8) .....	67,746,008	50,531,693	14,584,006	0	
6. Total medical and hospital expenses (Line 18) .....	54,509,857	42,314,694	10,810,370		
7. Claims adjustment expenses (Line 20) .....	2,100,468	3,415,437	1,002,308	0	
8. Total administrative expenses (Line 21) .....	9,854,878	7,246,075	5,381,819	6,947	
9. Net underwriting gain (loss) (Line 24) .....	1,280,805	(2,444,513)	(2,610,491)	(6,947)	
10. Net investment gain (loss) (Line 27) .....	902,249	817,838	287,593	67,850	
11. Total other income (Lines 28 plus 29) .....	0	0	0	0	
12. Net income or (loss) (Line 32) .....	2,183,054	(1,626,675)	(2,322,898)	60,903	
<b>Cash Flow</b> (Page 6)					
13. Net cash from operations (Line 11) .....	(3,525,543)	6,126,976	3,270,454		
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital .....	10,477,922	7,208,766	2,755,362	5,005,587	
15. Authorized control level risk-based capital .....	2,657,095	2,219,200	865,822	7,061	
<b>Enrollment</b> (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7) .....	7,464	5,827	2,739		
17. Total members months (Column 6, Line 7) .....	89,533	70,809	21,314		
<b>Operating Percentage</b> (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) .....	80.5	83.7	74.1	0.0	
20. Cost containment expenses .....	0.5	2.6	3.5	0.0	
21. Other claims adjustment expenses .....	2.6	4.1	3.3	0.0	
22. Total underwriting deductions (Line 23) .....	98.1	104.8	117.9	0.0	
23. Total underwriting gain (loss) (Line 24) .....	1.9	(4.8)	(17.9)	0.0	
<b>Unpaid Claims Analysis</b> (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5) .....	7,756,079	4,211,927			
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)] .....	8,973,959	3,408,105			
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) .....		0			
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) .....	0				
28. Affiliated common stocks (Sch. D Summary, Line 53, Col. 1) .....	0				
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10) .....	0	0	0		
30. Affiliated mortgage loans on real estate .....					
31. All other affiliated .....					
32. Total of above Lines 26 to 31	0	0	0	0	0

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories										
		1	Direct Business Only							
			2	3	4	5	6	7	8	9
States, etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama .....	AL	N						0	
2.	Alaska .....	AK	N						0	
3.	Arizona .....	AZ	N						0	
4.	Arkansas .....	AR	L	53,626,334					53,626,334	
5.	California .....	CA	N						0	
6.	Colorado .....	CO	N						0	
7.	Connecticut .....	CT	N						0	
8.	Delaware .....	DE	N						0	
9.	District of Columbia .....	DC	N						0	
10.	Florida .....	FL	N						0	
11.	Georgia .....	GA	N						0	
12.	Hawaii .....	HI	N						0	
13.	Idaho .....	ID	N						0	
14.	Illinois .....	IL	N						0	
15.	Indiana .....	IN	N						0	
16.	Iowa .....	IA	N						0	
17.	Kansas .....	KS	N						0	
18.	Kentucky .....	KY	N						0	
19.	Louisiana .....	LA	N						0	
20.	Maine .....	ME	N						0	
21.	Maryland .....	MD	N						0	
22.	Massachusetts .....	MA	N						0	
23.	Michigan .....	MI	N						0	
24.	Minnesota .....	MN	N						0	
25.	Mississippi .....	MS	N						0	
26.	Missouri .....	MO	N						0	
27.	Montana .....	MT	N						0	
28.	Nebraska .....	NE	N						0	
29.	Nevada .....	NV	N						0	
30.	New Hampshire .....	NH	N						0	
31.	New Jersey .....	NJ	N						0	
32.	New Mexico .....	NM	N						0	
33.	New York .....	NY	N						0	
34.	North Carolina .....	NC	N						0	
35.	North Dakota .....	ND	N						0	
36.	Ohio .....	OH	N						0	
37.	Oklahoma .....	OK	L	7,532,473					7,532,473	
38.	Oregon .....	OR	N						0	
39.	Pennsylvania .....	PA	N						0	
40.	Rhode Island .....	RI	N						0	
41.	South Carolina .....	SC	N						0	
42.	South Dakota .....	SD	N						0	
43.	Tennessee .....	TN	N						0	
44.	Texas .....	TX	L	6,945,562					6,945,562	
45.	Utah .....	UT	N						0	
46.	Vermont .....	VT	N						0	
47.	Virginia .....	VA	N						0	
48.	Washington .....	WA	N						0	
49.	West Virginia .....	WV	N						0	
50.	Wisconsin .....	WI	N						0	
51.	Wyoming .....	WY	N						0	
52.	American Samoa .....	AS	N						0	
53.	Guam .....	GU	N						0	
54.	Puerto Rico .....	PR	N						0	
55.	U.S. Virgin Islands .....	VI	N						0	
56.	Nothern Mariana Islands .....	MP	N						0	
57.	Canada .....	CN	N						0	
58.	Aggregate Other Aliens .....	OT	XXX0	0	0	0	0	0	0	0
59.	Subtotal .....	XXX	0	68,104,369	0	0	0	0	68,104,369	0
60.	Reporting Entity Contributions for Employee Benefit Plans .....	XXX							0	
61.	Totals (Direct Business) .....	(a) 3	0	68,104,369	0	0	0	0	68,104,369	0
DETAILS OF WRITE-INS										
5801.	.....	XXX								
5802.	.....	XXX								
5803.	.....	XXX								
5898.	Summary of remaining write-ins for Line 58 from overflow page .....	XXX	0	0	0	0	0	0	0	0
5899.	Totals (Lines 5801 through 5803 plus 5898)(Line 58 above) .....	XXX	0	0	0	0	0	0	0	0

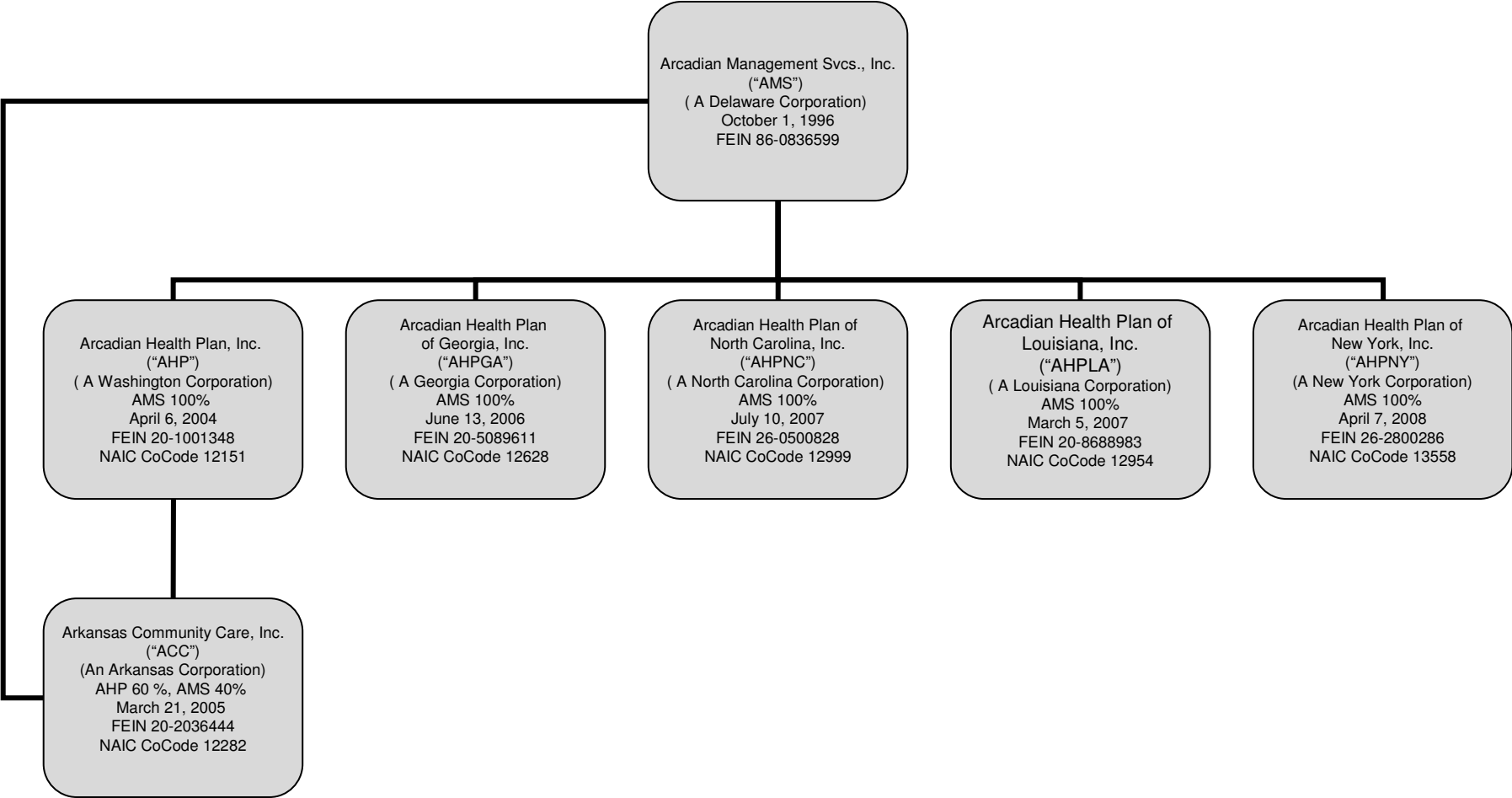
Explanation of basis of allocation by states, premiums by state, etc.  
Medicare Advantage organizations contract with the Center for Medicare and Medicaid Services -“CMS” at the state level. Individual plans, set to bid and approved by CMS, are designed to service specific geographic areas within the Contract -or state. Plan premiums are allocated at a member level determined by the member’s plan choice and specific member demographics, including but not limited to geographic location, age, gender, and health status. Plan membership is determined based on where the member resides and member’s specific plan choice in the event that multiple plans cover the same service area.

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE ARKANSAS COMMUNITY CARE, INC.

(a) Insert the number of L responses except for Canada and Other Alien.

3

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**



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